

# Indiana

Department of Local Government Finance



*Committed to a fair and equitable property tax system for Hoosier taxpayers.*

## **Public Hearing on Reassessment of Real Property in Shelby County**

**Department of Local Government Finance  
Resolution #2007-10**

Auditorium, Shelbyville Central High School  
Shelbyville, Indiana  
September 27, 2007



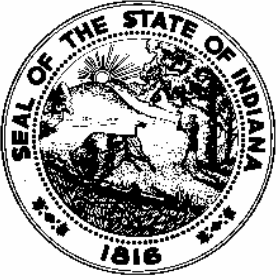
# Agenda

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- **Public hearing will run from 5:00 p.m. – 7:00 p.m.**
  - **The Need For Reassessment Of Real Property**
    - Accuracy and Equity
    - Lack of Adjustments to Commercial, Industrial and Residential Properties
  - **How The Reassessment Will Be Handled**
    - Commercial, Industrial and Residential Properties
  - **Opportunity For Public Comments**
    - Elected/Appointed Shelby County Officials
    - Floor will be open for public comment
- \*Please note that each speaker is limited to 3 minutes for comments**

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# The Need For Reassessment Of Real Property

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# The Need for Reassessment of Real Property

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## o Accuracy of Assessments

Accuracy refers to how close the assessments determined by local assessing officials are to market value-in-use

## o Equity of Assessments

Equity refers to how uniform assessments are within a class of property or geographic area

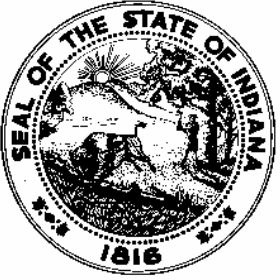


# The Need for Reassessment of Real Property

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- o Accuracy and equity are measured by conducting a statistical analysis known as an assessment-to-sales ratio study
- o The basic statistic in an assessment-to-sales ratio study is an assessment ratio

$$\text{Assessed Value} \div \text{Sale Price} = \text{Ratio}$$



# The Need for Reassessment of Real Property

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- o Assessment ratio for all properties in Indiana is to be 100%

$$\text{Assessed Value} \div \text{Sale Price} = \text{Ratio}$$

Example 1:  $\$60,000 \div \$60,000 = 100\%$

Example 2:  $\$54,000 \div \$60,000 = 90\%$

Example 3:  $\$66,000 \div \$60,000 = 110\%$



# The Need for Reassessment of Real Property

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- o Using these ratios from sold properties and grouping them by township and class, an assessment-to-sales ratio study determines if assessments are accurate and equitable



# The Need for Reassessment of Real Property

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## Statistical Measures

- o **Accuracy** is measured by the median ratio
  - o The median ratio is the “average” level of assessment for a class of property
- o **Equity** is measured by the coefficient of dispersion (COD)
  - o The coefficient of dispersion (COD) gives the relative dispersion, or variability of assessments from the median





# The Need for Reassessment of Real Property

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## Standards

- o 50 IAC 21, the administrative rule governing annual adjustments sets the following standards for assessments:
  - o **Accuracy** – The median ratio for any class of property in a township should fall between 90% and 110%
  - o **Equity** - the coefficient of dispersion (COD) should be:
    - o  $\leq 15\%$  on improved residential property; and
    - o  $\leq 20\%$  on all other classes



# The Need for Reassessment of Real Property

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## Standards

- o **Regressivity/Progressivity** – The Price Related Differential (PRD), which measures uniformity, for any class of property in a township should be between .98 and 1.03.



## Results of Shelby County Ratio Study

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### Accuracy

- o Improved Residential property assessments in Addison, Hanover, Hendricks, and Shelby Townships were outside of the acceptable range of assessment accuracy required by 50 IAC 21.
- o Improved Commercial property assessments in Union Township were outside of the acceptable range of assessment accuracy required by 50 IAC 21.
- o Unimproved Commercial property assessments in Addison Township were outside of the acceptable range of assessment accuracy required by 50 IAC 21.

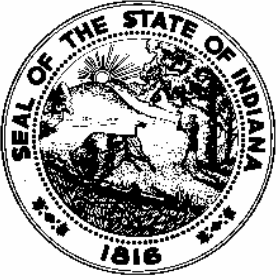


## Results of Shelby County Ratio Study

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### Equity

- o Assessments in Shelby County met the standard of assessment equity required by 50 IAC 21.



## Results of Shelby County Ratio Study

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### Uniformity

- o The PRD for Unimproved Residential property in Hanover and Liberty Townships was outside of the standard for assessment uniformity.
- o The PRD for Improved Industrial property in Addison and Brandywine Townships was outside of the standard for assessment uniformity.



# Lack of Adjustments to Commercial and Industrial Properties

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- o Analysis of Assessment Changes from 2005 to the 2006 assessment year revealed the following:
  - 1) A county-wide analysis of gross assessed values of commercial parcels revealed that ninety-four percent (94%) of these parcels had no change or a decline in assessed values from the 2005 assessment year to the 2006 assessment year.



# Lack of Adjustments to Commercial and Industrial Properties

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- o Analysis of Assessment Changes from 2005 to the 2006 assessment year revealed the following:
  - 1) A county-wide analysis of gross assessed values of industrial parcels revealed that seventy-six percent (76%) of these parcels had no change or a decline in assessed values from the 2005 assessment year to the 2006 assessment year.



# Lack of Adjustments to Residential Properties

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- o Analysis of Assessment Changes from 2005 to the 2006 assessment year revealed the following:
  - 1) A county-wide analysis of gross assessed values of residential parcels revealed that seventy-two percent (72%) of these parcels had no change or a decline in assessed values from the 2005 assessment year to the 2006 assessment year.

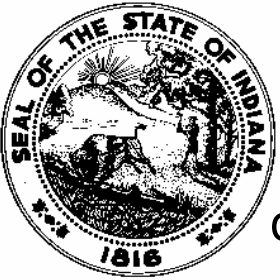




## The Annual Adjustment Rule – 50 IAC 21-5-2

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- (a) If, upon review of the ratio studies, the local assessing official determines that a factor must be applied, the local assessing official shall proceed with the application of the annual adjustment factor in accordance with this article.
- (b) If assessing officials determine that there are insufficient sales of commercial or industrial improved property in a township or county to determine an annual adjustment factor, the county shall use one (1) or more of the following to derive annual adjustment factors or modify the values of commercial and industrial property:
  - (1) Marshall and Swift cost and depreciation tables from the first quarter of the calendar year preceding the assessment date.
  - (2) Income data, rental data, market value appraisals, and other relevant evidence derived from appeals of the 2002 reassessment and adjusted, as applicable, to the January 1 of the year preceding the assessment date.
  - (3) Commercial real estate reports.
  - (4) Governmental studies.
  - (5) Census data.
  - (6) Multiple listing service (MLS) data.
  - (7) The independent study performed by the Indiana Fiscal Policy Institute.



# 2006 Trending Contract between Shelby County and Accurate Assessments, Inc.

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## o **Annual Costs**

- o \$25,000 for establishing base rates for residential lots and acreage
- o \$25,000 for the reassessment of residential lots and acreage

## o **Duties of Vendor**

- o Appraiser shall make a preliminary determination of the trending factor or equivalent for the parcels/properties, in accordance with statutes, rules, instructional bulletins, and directives.
- o Exhibit A states: “If there are insufficient sales of commercial or industrial improved property in a township or county to determine a trending factor, the Professional Appraiser shall use one or more of the following to derive a trending factor or modify the values of commercial and industrial property:
  - o Marshall and Swift cost and Depreciation tables from the first quarter of the calendar year preceding the assessment date.
  - o Income data, rental data, Market value appraisals and other relevant evidence derived from appeals.
  - o Commercial real estate reports
  - o Government studies
  - o Census data
  - o Multiple listing service data
  - o The independent study performed by the Indiana Fiscal Policy Institute.”

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# Common Questions

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**Q:** We're a small, rural, agricultural based county with little commercial and industrial growth. We just don't think ordering a reassessment will result in any changes, in essence a waste of time and money.

**A:** The assessing official, and/or their vendor, is required to annually adjust the real property values. In the absence of sales, the assessor and/or their vendor is to consider other sources of information, such as re-costing the properties using Marshall and Swift. By ensuring all property is assessed in a fair and equitable manner, all taxpayers can be assured that they are paying their fair share of property taxes.

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# Common Questions

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**Q:** Who is responsible for paying for the reassessment and how much will it cost?

**A:** If a reassessment is ordered, the county would be responsible for paying for it (would you want to pay for the reassessment in other counties?). The cost would be dependent on the contractual agreement between the county and the vendor.

**Q:** Will my taxes go up because of the reassessment?

**A:** If a reassessment is ordered, some taxpayers may see an increase or decrease in their assessed value. The taxes are based on the assessed value and local government spending in that tax district.

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# Common Questions

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- Q:** I own a small business. I do not think reassessing my property on the cost approach is appropriate, especially given the stagnant local economy and lack of change in values.
- A:** As required by 50 IAC 21-5-2 (b)(1), if there are insufficient sales in a county, the assessing official shall use the cost approach or other methods (i.e. the income approach) to determine an annual adjustment factor. Depending on the business, income and expense information may be difficult to obtain; hence, the cost approach might be the best indicator of changes in value.



# Common Questions

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**Q:** Why did the state approve our county's ratio study, and now they're coming back several months later and saying we did not do it right, and that we have to do a reassessment?

**A:** The ratio study was approved based on the best available information presented by the county in the study. It contained only those parcels and sales information used in the ratio study. In response to the awareness of property tax changes throughout the state, Governor Daniels directed the department to review the assessment data in all 92 counties. This included reviewing assessor data that was not available at the time the ratio study was approved. The review of the assessor data included a comparison of the assessed value changes between 2005 pay 2006 and 2006 pay 2007.

In Shelby County, the initial ratio study was received 11/27/06 and not approved until 3/9/07. The 2006 Assessor data used for comparison was received in early August 2007.



# How the Reassessment Will be Handled

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# Securing a Vendor

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- o Shelby County officials may retain their vendor to conduct the reassessment. If Shelby County desires a different vendor, they must go through the Special Procurement process of the Indiana Department of Administration.
- o The Department of Local Government Finance will have oversight of the vendor in that the vendor must be certified under 50 IAC 15-4-1 and must include in its contract the provisions required by IC 6-1.1-4-18.5 and IC 6-1.1-4-19.5.
- o A checklist for these required contract provisions can be found at <http://www.in.gov/dlgf/local/assessor.html>
- o The Special Procurement process, if needed, is expected to be expedient (2 to 3 weeks).





# Commercial, Industrial and Residential Properties

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## o Assumptions:

- o The underlying property data is correct
- o The Vendor will not be required to perform the work within the Shelby County computer system
- o The Vendor will pull the values into their own system
- o The Vendor will be using 2005 pay 2006 Shelby County Assessor Data



## Commercial and Industrial Properties

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- o The initial process is expected to use an updated cost approach in addition to updating land values:

$$\begin{aligned} &1999 \text{ RCN} \times \text{Cost Factor} = 2005 \text{ RCN} \\ &\quad - \text{Depreciation (6 years)} \\ &\quad = \text{Improvement Market Value} \\ &\quad \times \text{2005 Neighborhood Factor} \\ &\quad = 2005 \text{ Improvement Market Value} \\ &\quad + \text{2005 Land Market Value} \\ &\quad = 2005 \text{ Total Market Value} \end{aligned}$$



## Commercial and Industrial Properties

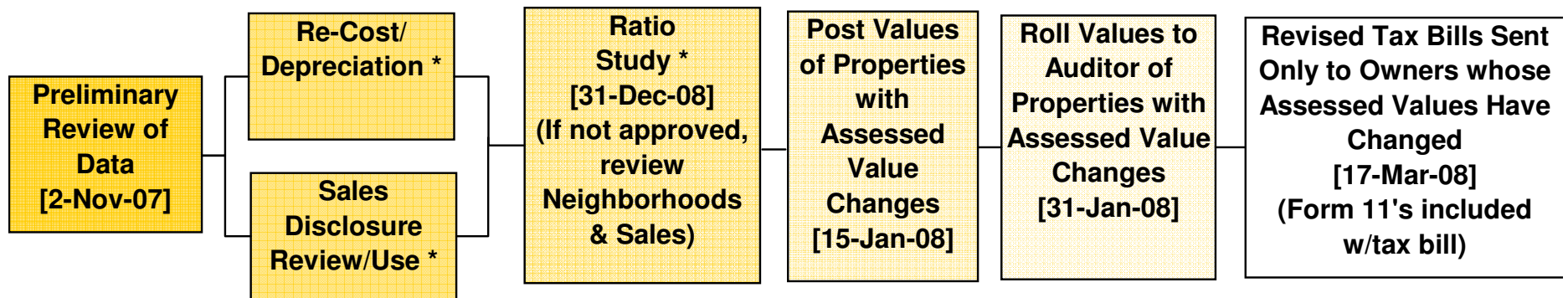
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- o The Neighborhood Factor (or Annual Adjustment Factor) will be based on Sales Disclosures from 2004 and 2005, with a January 1, 2005 valuation date
- o The Department will review and approve the reassessment work throughout the process
- o The reassessment of real property is expected to be completed by December 31, 2007, and assessed values shall be rolled to the County Auditor by February 15, 2008



# **Timeline for Shelby County Directive**

## **Commercial, Industrial and Residential Properties**



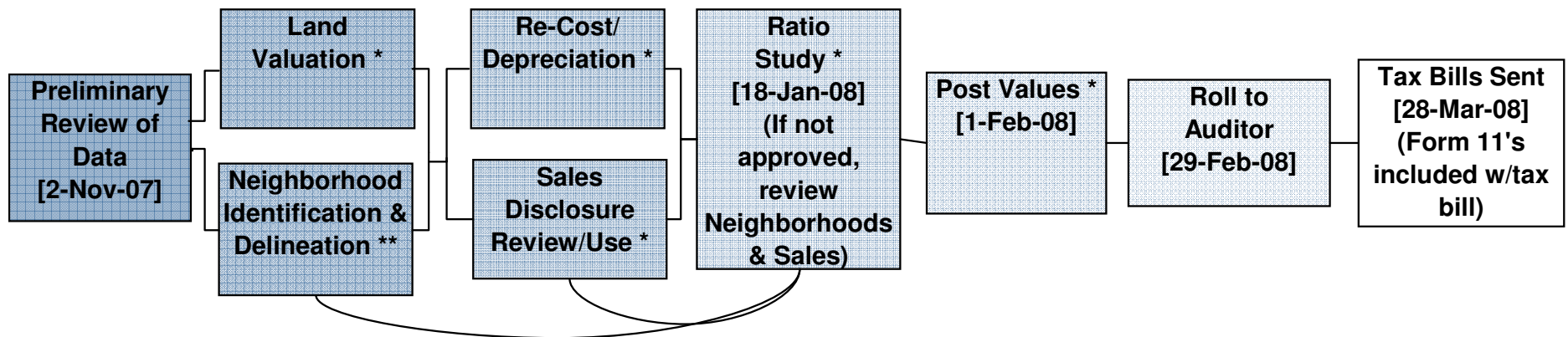
\* DLGF Review and Approval Process

\*\* Report on how Neighborhoods are defined

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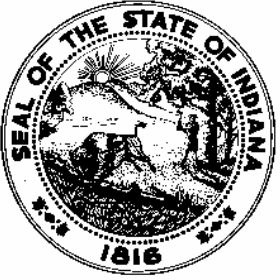
## Timeline for Shelby County Reassessment Commercial, Industrial and Residential Properties



\* DLGF Review and Approval Process

\*\* Report on how Neighborhoods are defined

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## Possible Outcomes of Public Hearing

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- o Reassessment Order Issued for Commercial, Industrial, and Residential Property
- o Assessment Directive Issued to Correct Issues with Commercial, Industrial and Residential Property Assessments
- o Evidence Presented – No Further Action Taken



# Comments & Questions

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Please email written comments and questions  
regarding the reassessment to:

**[shelbyreassessment@dlgf.in.gov](mailto:shelbyreassessment@dlgf.in.gov)**

(No phone comments will be accepted)